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ANNUAL REPORT 1967

FINLAYSON ENTERPRISES LTD.

FINLAYSON ENTERPRISES LTD.

DIRECTORS

G. A. Boddy

R. W. Finlayson

R. H. Hoppe

D. A. McIntosh, Q.C.

H. T. O'Neill

D. L. Sinclair

H. Sutherland

OFFICERS

President	R. W. Finlayson
Vice-President	G. A. Boddy
Vice-President	R. H. Hoppe
Secretary	H. Sutherland
Treasurer	R. D. Williamson

BANKERS

THE BANK OF NOVA SCOTIA
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

CANADA PERMANENT TRUST COMPANY
Toronto, Ontario   Winnipeg, Manitoba

To the Shareholders of

FINLAYSON ENTERPRISES LTD.

In reporting on the Companies' operations in Canada's Centennial year it is appropriate to note that the two principal subsidiaries, Stuart and Wood, commenced business in 1880 and 1881 respectively. In the year ended December 31, 1967, a record consolidated net profit of $222,669 was realized, approximately 15% greater than in 1966.

Turning to the highlights of the subsidiary reports, the Stuart results in Canada were most acceptable. As previously forecast, the Trinidad lime oil and lime juice producing company had an excellent year. In passing, it should be stressed that a conservative view of the currency devaluation, resulting in a write down of the Trinidad subsidiaries' assets, has been taken. The Wood group, which includes the Dunhill and Palmers operations, contributed substantially to the consolidated profit.

As a result of satisfactory operations in the last few years, the financial position of your Company has been greatly improved. Bank and deferred loans, which in 1962 amounted to over $1,000,000, have been reduced to $450,000. In the last four years net worth has increased from $317,974 to $861,255. The source and application fund statement, included for the first time, shows a large working capital gain in the current year. Your Directors propose to take this into account when considering "B" share dividend declarations in the present year.

The Company forecasts a gain in sales and operating profit for the year 1968. However much higher taxes will be paid and thus net profit after taxes will likely be lower. Despite world unrest, the demand for the products which your Company produces and sells to the food, beverage and cosmetic industries should continue to be buoyant and provide a solid base for future growth.

R. W. FINLAYSON
President

TORONTO, ONTARIO, MARCH 5, 1968

FINLAYSON EN

AND SUBSIDIA

Consolidated Balance Shee

(With comparative figu

ASSETS

	1967	1966
Current		
Cash on Hand and in Banks	$ 83,511	$ 3,493
Accounts Receivable, less allowance for doubtful accounts	499,412	507,827
Merchandise Inventories, at lower of cost and market	986,820	959,679
Cash Value of Life Insurance Policies	33,647	30,432
Prepaid Expenses	21,314	27,099
Corporation Income Taxes Refundable	10,749	12,439
Total Current Assets	$1,635,453	$1,540,969
Special Refundable Corporation Tax	$ 8,250	$ 6,375
Investment in Foreign Subsidiaries		
(Not Consolidated)—Note 6	$ 76,616	$ 37,580
Fixed		
Land, Buildings, Equipment, Automotive Equipment and Leasehold Improvements—at cost	$ 520,748	$ 513,026
Less: Accumulated Depreciation	267,370	247,226
Total Fixed Assets	$ 253,378	$ 265,800
	$1,973,697	$1,850,724

Approved on behalf of the Board. R. W. Finlayson, *Director*

G. A. Boddy, *Director*

AUDITORS' REPORT

To the Shareholders of
FINLAYSON ENTERPRISES LTD.

We have examined the Consolidated Balance Sheet of FINLAYSON ENTERPRISES LTD. and Subsidiary Companies as at 31st December 1967 and the Consolidated Statements of Earned Surplus, Profit and Loss and Source and Application of Funds for the year then ended. Our examination of the financial statements of FINLAYSON ENTERPRISES LTD. and those Subsidiaries of which we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other Subsidiaries, including those not consolidated.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the Companies as at 31st December 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Dunwoody & Company
Chartered Accountants

Toronto, Ontario, 14th February 1968

ERPRISES LTD.

COMPANIES

as at 31st December 1967

at 31st December 1966)

LIABILITIES

	1967	1966
Current		
Bank Loan (Secured)—Note 3	$ 250,000	$ 300,000
Accounts Payable and Accrued Charges	605,925	583,257
Provision for Income and Other Taxes	55,387	37,438
Due to Foreign Subsidiary, not consolidated	1,130	—
Total Current Liabilities	$ 912,442	$ 920,695
Deferred and Secured—Note 3		
Loan	$ 200,000	$ 250,000
Shareholders' Equity—Notes 4, 7, 9		
Capital		
Authorized:		
16,133 Class "A" Shares without nominal or par value		
100,000 Class "B" Shares without nominal or par value		
600,438 Class "C" Shares of par value $1.00 each, of which 29,944 shares have been issued and redeemed		
Issued and Fully Paid:		
16,133 Class "A" Shares 56,934 Class "B" Shares	$ 256,233	$ 221,233
Earned Surplus		
Unappropriated	$ 567,938	$ 430,504
Restricted as to Distribution to Shareholders	37,084	28,292
	$ 605,022	$ 458,796
Total Shareholders' Equity	$ 861,255	$ 680,029
	$1,973,697	$1,850,724

Notes to Financial Statements

1. The assets, liabilities, income and expenses of two foreign subsidiaries are consolidated at the rates of exchange in effect at 31st December 1967.
2. The Company has guaranteed the indebtedness of one of its subsidiaries, not consolidated, up to the amount of $81,000.
3. The Company has issued a debenture to its bankers, representing a floating charge on the assets of the Company, for indebtedness to the bank up to $1,000,000.
4. Options to certain key executives are outstanding until 22nd January 1968 with respect to 2,500 Class "B" shares exercisable at $5.00 per share and 2,250 Class "B" shares exercisable at $5.75 per share. A further 250 Class "B" shares are set aside for sale or option to executives. Subsequent to the year end all outstanding options were exercised. During the year options with respect to 7,000 Class "B" shares were exercised for a cash consideration of $35,000.
5. The Company and some of its subsidiaries are involved in certain legal actions but the companies have, with the advice of counsel, taken the position that the claims against them have no justification.
6. It is the Company's policy not to consolidate subsidiaries which are partially-owned. The investment, therefore, in two subsidiaries in Trinidad is stated at the cost of $40,499 plus an adjustment for the parent's proportion of the subsidiaries' profits less losses since acquisition, which valuation represents the parent's proportion of the tangible net worth of the subsidiaries at 31st December 1967. The parent's proportion of the profit for the year ended 31st December 1967 has been included in the Consolidated Statement of Profit and Loss. The valuation and proportion of profit have been expressed at the rates of exchange in effect at 31st December 1967.
7. Dividends on the Class "B" shares, or any other shares junior to the Class "A" shares, may not be declared unless all cumulative preferential dividends of 90¢ per share per annum on the Class "A" shares have been paid or set aside for payment and unless either (i) the consolidated current assets of the Company and its subsidiaries, after deducting therefrom the amount of the dividend to be declared, are not less than 1¾ times the amount of the consolidated current liabilities, or (ii) the consolidated current assets of the Company and its subsidiaries, after deducting therefrom the consolidated current liabilities and the amount of the dividend to be declared, are not less than $500,000. The terms "consolidated current assets" and "consolidated current liabilities" are defined in the share conditions.
8. Income taxes for the year have been reduced by approximately $61,000 as compared to $58,000 in 1966, by means of the application of losses carried forward from prior years.
9. During the year the Company issued 9,982 fully paid Class "C" shares by way of a stock dividend on the Class "B" shares. The 9,982 fully paid Class "C" shares were redeemed for a cash consideration of $9,982.

FINLAYSON ENTERPRISES LTD.
AND SUBSIDIARY COMPANIES

Consolidated Statement of Profit and Loss for Year Ended 31st December 1967
(With comparative figures for year ended 31st December 1966)

	1967	1966
SALES (net)	$4,511,877	$4,453,459
Profit on Operations for the year, before accounting for the undernoted items	$ 371,057	$ 357,685
Add: Parent's proportion of profit of Subsidiaries not consolidated	41,352	18,139
	$ 412,409	$ 375,824
Less: Directors' Remuneration, including salaries of Officers who are also Directors	$ 101,272	$ 84,212
Interest on Indebtedness not maturing within one year	16,765	27,000
Provision for Depreciation and Amortization of Fixed Assets	40,202	39,530
	$ 158,239	$ 150,742
Profit before providing for Income Taxes	$ 254,170	$ 225,082
Provision for Income Taxes—Note 8	41,793	31,294
Operating Profit after Income Taxes	$ 212,377	$ 193,788
Add: Profit on Disposal of Capital Assets (including $9,845 from Subsidiaries not consolidated)	10,292	—
NET PROFIT FOR YEAR	$ 222,669	$ 193,788

Consolidated Statement of Earned Surplus for Year Ended 31st December 1967
(With comparative figures for year ended 31st December 1966)

	1967	1966
UNAPPROPRIATED		
Balance at beginning of year	$ 430,504	$ 251,236
Net Profit for Year	222,669	193,788
	$ 653,173	$ 445,024
Less: Cash Dividends paid during year—		
Class "A" Shares	$ 14,520	14,520
Class "B" Shares	31,615	—
Stock Dividend on Class "B" Shares	9,982	—
Transferred on Redemption of Class "C" Shares under Section 61 of the Canada Corporations Act	9,982	—
15% Tax on Election under Section 105(2) of the Income Tax Act	525	—
Write Down on Devaluation of Foreign Currency	18,611	—
	$ 85,235	$ 14,520
Balance at end of year	$ 567,938	$ 430,504
RESTRICTED AS TO DISTRIBUTION TO SHAREHOLDERS		
Balance at beginning of year	$ 28,292	$ 28,292
Less: Write Down on Devaluation of Foreign Currency	1,190	—
	$ 27,102	$ 28,292
Add: Transferred during year	9,982	—
Balance at end of year	$ 37,084	$ 28,292
Balance at end of year	$ 605,022	$ 458,796

FINLAYSON ENTERPRISES LTD.
AND SUBSIDIARY COMPANIES

Consolidated Statement of Source and Application of Funds for year ended 31st December 1967
(With comparative figures for year ended 31st December 1966)

Source of Funds	1967	1966
Net Profit for Year	$222,669	$193,788
Add: Depreciation, a non-cash outlay	40,202	39,530
	$262,871	$233,318
Less: Non-Cash Credits		
Profit on Disposal of Capital Assets	$ 10,292	$ —
Parent's Proportion of Profit of Subsidiaries not consolidated	41,352	18,139
	$ 51,644	$ 18,139
Funds Obtained from Operations	$211,227	$215,179
Proceeds from Issue of Class "B" Shares	35,000	—
Cash Dividends received during year from subsidiaries not consolidated	6,792	—
Total Funds Obtained	$253,019	$215,179
Application of Funds		
Payment/Reclassification of Deferred Loan	$ 50,000	$200,000
Redemption of Class "C" Shares	9,982	—
15% Tax paid on Election under Section 105(2) of the Income Tax Act	525	—
Purchases of Equipment, Furniture, Fixtures and Leasehold Improvements—Net	30,683	20,232
Special Refundable Corporation Tax	1,875	6,375
Dividends Paid during year—Class "A" Shares	14,520	14,520
—Class "B" Shares	31,615	—
Devaluation Write Down applicable to Working Capital	11,082	—
Total Funds Applied	$150,282	$241,127
Increase (Decrease) in Consolidated Working Capital	$102,737	($ 25,948)
Consolidated Working Capital at beginning of year	620,274	646,222
Consolidated Working Capital at End of Year	$723,011	$620,274